MONTANA LEGISLATIVE HISTORY

Chapter 164 19 77

Bill H 237 S _____ Original bill & history ___C

H. Committee on Taxation			S. Committee on Taxation		
Hearing Date(s)	Jan 26	✓ C	Hearing Date(s)	Mar 15	✓ C
	Jan 31	✓ C			C
		C			C
		C			C
Date Out	Jan 31	✓ C		Mar 15	✓ C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

H BILL NO. 237

INTRODUCED BY Robbins Lassiter Hurwitz
Bengtson, Day, Milligan, Teigen, Siefert, Switz

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION 84-1314, R.C.M. 1947, TO CHANGE THE COAL SEVERANCE TAX EXEMPTION FROM 5,000 TONS A QUARTER TO 20,000 TONS A YEAR."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 84-1314, R.C.M. 1947, is amended to read as follows:

"84-1314. Severance tax -- rates imposed -- exemptions. A severance tax is imposed on each ton of coal produced in the state, in accordance with the following schedule:

Heating quality (Btu per pound of coal):	Surface Mining	Underground Mining
Under 7,000	12 cents or 20% of value	5 cents or 3% of value
7,000-8,000	22 cents or 30% of value	8 cents or 4% of value
8,000-9,000	34 cents or 30% of value	10 cents or 4% of value
Over 9,000	40 cents or 30% of value	12 cents or 4% of value

LC 0782/01

The formula which yields the greater amount of tax in a particular case shall be used at each point on this schedule. "Value" means the contract sales price. A person is not liable for any severance tax upon ~~the--first--five thousand--(5,000)~~ 20,000 tons of the coal he produces in a ~~quarter-year~~ calendar year."

-End-

Mr. Sternhagen disagrees with the approach to the tax and on the rate, which would make it almost 3 times what it is now. They would have to pay in serious loss years, when they don't have the money to pay the tax. He based their figures on their projected five-year plan, which is shown in the exhibit he handed out. He recommends 2% which would equalize their taxes rather than the 6% as proposed by HB 198.

Rep. Fabrega advised that Decker is a bigger taxpayer than is Anaconda. What percentage would this increase Anaconda's tax overall including all property? They are the biggest taxpayer in the county and outside of Decker, the biggest in the state.

ARCO operates so that each part is accustomed to making money and doing things in such a manner so they aren't subsidizing any other part.

Burr advised in oil production, net proceeds is paid by the crude value; in metals, expenses are allowed. Net proceeds tax is not a strict showing of net income of a company. The DOR feels that over a period of time the 6% rate will average out.

Allowable deductions sometimes wipe out the tax base. Years showing no net proceeds are not necessarily loss years. The committee requested more information on deductions allowed by Anaconda in figuring their tax.

Rep. Hershel Robbins, District #46, Musselshell County, introduced Rep. Dassinger, who will carry House Bill 237 for him. HB 237 would change the coal severance tax exemption from 5,000 tons a quarter to 20,000 tons a year. This would give the small miner a little leeway. He could mine 20,000 tons in the last quarter of the year. This bill is generally to try to relieve them from a high rate of taxation. These mines are mostly for home trade, and would allow mining of 20,000 tons in any one quarter with reduced taxation.

HOUSE BILL 237

House Bill 277 was not heard.

Meeting adjourned at 12:00 noon.

Herb Huennekens

REP. HERB HUENNEKENS, Chairman

Josephine Lahti

Josephine Lahti, Secretary

HOUSE BILL 383 - Rep. Fabrega moved to recommend HB 383 DO NOT PASS. Reps. Waldron and Uhde voted No. Motion carried 15-2.

HOUSE BILL 288 - Rep. Lien moved to recommend HB 288 DO PASS. Motion carried 9-8. Rep. Fagg moved to recommend reconsideration of action on HB 288 for further discussion. Motion failed 8-9.

HOUSE BILL 379 - Rep. Dassinger moved to recommend HB 379 DO PASS. Rep. Williams moved proposed amendments on page 1, line 17, following "camper"; insert "truck canopy cover and topper. Proposed amendments were adopted with Reps. Gilligan, Severson, Bertelsen, Waldron voting No. Original motion by Rep. Dassinger was changed to AS AMENDED DO PASS. Motion carried unanimously.

HOUSE BILL 288 - Rep. Fagg moved HB 288 DO NOT PASS. Rep. Lien moved a substitute motion of DO PASS HB 288. This motion carried 9-8.

HOUSE BILL 166 - Rep. Sivertsen moved to recommend HB 166 DO NOT PASS. Motion carried 14-3. Reps. Harrington, Waldron, Uhde voted No.

House Bill 269 will be deferred until Rep. Fabrega obtains more information.

HOUSE BILL 237 - Rep. Harrington moved to recommend HB 237 DO PASS. Motion carried unanimously.

HB 292 - Rep. Vincent moved to recommend HB 292 do pass. He further moved to amend, but this motion was withdrawn after further discussion. Rep. Dassinger moved HB 292 be amended on page 2, line 21, delete 40%, insert 100%; line 22, delete 30%, insert 50%. Rep. Fabrega made a substitute motion to amend to allow other than residences 100% on residences and buildings not used as a residence. All action on HB 292 was postponed until later.

HOUSE BILL 306 - Rep. Fabrega moved to recommend HB 306 DO NOT PASS. Rep. Waldron moved that proposed amendments DO PASS. This motion failed. The original motion of DO NOT PASS carried 16-1. Rep. Waldron voted No.

Amendments adopted may be seen on the Standing Committee Reports in Book #1.

Meeting adjourned at 11:45 a.m.

Herb Huennekens

REP. HERB HUENNEKENS, CHAIRMAN

Josephine Lahti

Josephine Lahti, Secretary

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 15, 1977

The forty-second meeting of the Taxation Committee was called to order on the above date in Room 415 of the State Capitol Building by Chairman Mathers at 8:10 a.m.

ROLL CALL: All members were present but Sen. Roskie, who was excused.

The following witnesses were present:

Judson D. Sweet	Oil & Gas Cons. Board
Charles G. Maio	"
Ted J. Doney	DNR & C
Don J. Allen	Mont. Pet. Assoc.
Jim Madison	Misc. Tax Div., D. of Rev.
John Orth	DNR & C
Charles Greene	DNR & C

CONSIDERATION OF HOUSE BILL 540: Rep. Aageson said the Board of Oil and Gas Conservation served a very useful purpose in the state, and among these duties they investigate oil and gas waste in Montana, identify wells, keep logs and reports on all oil and gas wells in the state among other services. Due to increased oil and gas activity in the state, the board has found they need additional office space and this bill would raise the tax to oil and gas operators for the support of the commission to a percentage of the production. Also speaking as a proponent was Mr. Allen who said the industry backs this bill as they feel the board is performing a very useful service, however, they are interested in being sure there is a maximum allowable tax. Mr. Sweet distributed two exhibits, #1 and 2, which showed expenses of the commission for the past several years, see Exh. #1, and Mr. Maio discussed details on the building, as in Exh. #2. He also told the committee that their present building will be purchased by Eastern Montana College.

Chairman Mathers then asked for other proponents or opponents of the bill and since there were none, permitted questions from the committee. Sen. Norman asked if the funds were all earmarked revenue funds and learned they were. He also asked about the possibility of leasing larger quarters for the board and they agreed to look into this. Following discussion, the committee moved the bill.

DISPOSITION: Sen. Goodover Moved HB540 Be Concurred In. His motion was carried unanimously. Note absence here of Sens. Towe, Turnage, Roskie.

CONSIDERATION OF HOUSE BILL 237: Rep. Robbins, Dist. 46, said this bill merely changes the coal severance tax from quarterly to annual basis for reporting and as of this date, affects only 3 small mines in the state.

The Chairman called for other proponents or opponents and following discussion, the committee took action on the bill.

DISPOSITION: Sen. Watt Moved HB237 Be Concurred In. His motion carried unanimously. Sens. Towe, Turnage, Roskie gone.

CONSIDERATION OF HOUSE BILL 111: Rep Dassinger, Dist. 50. presented this bill which was a revision of the computation of severance tax on oil and gas producers. He said there are problems at present because it is most difficult to determine the number of producing wells. Mr. Madison of the Department also spoke and said this legislation would not only help the D.R. but would also help the producers complete their returns. Mr. Allen spoke again as a proponent of the bill.

Chairman Mathers asked for other proponents or opponents of the bill and questions from the committee.

DISPOSITION: Sen. Watt Moved HB111 Be Concurred In. His motion carried unanimously. Note absence of Sens. Towe, Roskie.

CONSIDERATION OF HOUSE BILL 155: Rep. Driscoll, Dist. 91, said at present grants are being made to individuals with ideas for alternative energy research, but thought if the loans were available those inventors might pay back the loans thus perpetuating the funds. He said he had worked on the Alternative Energy Advisory Council and knew of instances where an individual might have an idea for alternative energy but lacked funds to develop such ideas. Mr. Dony said he felt the loan program would be a good idea and although he thought the banks should be doing this, he said he didn't believe you would find a bank in the state that would loan money for such research. Mr. Orth also spoke and said his department supports this bill, saying he felt the flexibility given by a loan program addresses the problem better and too, by repayment of the loans, funds would remain available to other inventors, further promoting such research.

The Chairman asked for other witnesses to testify and Mr. Cadby first spoke in opposition to the bill, saying he thought the bill created a small loan program within the state government. He said grants were made to help develop ideas, whereas a loan is for the development of a proven idea. Following his testimony Rep. Driscoll made his closing remarks and there followed discussion by the committee members. They called Mr. Greene for further information and he told them the department last year funded 33 projects beginning in November. He said it was stipulated in the contracts that quarterly reports must be submitted but these are not in as yet. He could however, have a report for the Legislature as soon as they were available. Of these 33 grants, 30 projects are now in progress totaling around $482,000. Twenty of those are in solar energy projects, 4 wood applications; 1 in geo-thermal energy; 1 in bio-mass and several others in small-scale wind gnerator experiments.

Chairman Mathers asked for other questions from the committee and said the committee would not act upon this bill at this time as Sen. Towe had expressed an interest in it and wished to have input on the bill.

ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977 Date 3/15/77

NAME	PRESENT	ABSENT	EXCUSED
SEN. WATT	✓		
SEN. BROWN	✓		
SEN. GOODOVER	✓		
SEN. HEALY	✓		
SEN. MANNING	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	excused		
SEN. TOWE	✓		
SEN. TURNAGE	✓		
CHAIRMAN MATHERS	✓		

Each day attach to minutes

STANDING COMMITTEE REPORT

March 15 19 77

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 237

Respectfully report as follows: That HOUSE Bill No. 237

BE CONCURRED IN

~~DO PASS~~

WILLIAM MATHERS Chairman.

STATE PUB. CO.
Helena, Mont.

HOUSE BILL NO. 237

INTRODUCED BY ROBBINS, DASSINGER, HURWITZ, BENGTSON, DAY, GILLIGAN, TEAGUE, SEIFERT, GERKE

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION 84-1314, R.C.M. 1947, TO CHANGE THE COAL SEVERANCE TAX EXEMPTION FROM 5,000 TONS A QUARTER TO 20,000 TONS A YEAR."

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